

Fred,

In our view, all three proposals are largely identical and represent a substantive departure from the original design of AG 49, which used the lookback methodology as the primary limitation for the illustrated rates in Indexed UL products. By contrast, each of these three proposals relies on the Hedge Budget – which was introduced and defined in AG 49-A – as the primary limitation for maximum illustrated rates in Indexed UL.

The fact that all three groups are proposing relegating it to a secondary guardrail or eliminating it altogether is, in our view, a tacit acknowledgement of the inherent flaws of the lookback methodology and its role in propagating past, present and potentially future abuses in Indexed UL illustrations.

All three proposals are similarly easy to implement and require the following modifications to the Guideline:

- **Section 4** – Modification of the maximum illustrated rate for the BIA in 4(A) and non-BIA accounts in 4(C)
- **Section 5** – Clarification of actuarial supportability testing to align with changes to Section 4
- **Section 7** – Disclosure of the Hedge Budget for each Indexed Account as the basis for the illustrated rate

Based on the criteria referenced by Regulators, the three proposals can be compared as follows:

	Easy to Implement	Addresses Current Issues	Prevents Future Abuses
Group of 6	Yes	No	No
Securian	Yes	Yes	No
Coalition	Yes	Yes	Yes

In our view, the Group of 6 Proposal should be disqualified on the basis that it does not actually address the currently identified issues in IUL, as shown in the demonstration below. It is an attempt to preserve the illustrated advantages of certain strategies that are, in our experience, too often mischaracterized by agents as projections. Hence, the appeal of these strategies for competitive positioning and their success in the marketplace.

The Securian Proposal is workable and will address the currently identified issue, but requires additional modifications to Section 5 and disclosure of the Hedge Budget to be effective and informative for consumers. It will also not prevent future issues related to the use of the lookback, which has been the subject of all previous inquiries into Indexed UL illustrations. The Securian proposal may still provide latitude for life insurers to augment illustrated performance in ways that were not intended by regulators, as we have repeatedly seen.

Only the Coalition Proposal is workable, addresses the identified issue and prevents future illustration abuses specifically related to Indexed UL. It maintains the ability for life insurers to demonstrate hypothetical historical lookback performance through the reports currently specified in Section 7. Our view is that the lookback can be a valid demonstrative tool and should be displayed in the narrative, but not the ledger, of the illustration.

As long as illustrations are properly used as explanatory tools and not mischaracterized as performance projections, the Coalition Proposal presents no threat to Indexed UL sales and will only serve to further consumer understanding of this valuable product and its many powerful applications. Therefore, we urge the Regulators to quickly adopt and implement the Coalition Proposal.

Signed,

The Coalition of Concerned Insurance Professionals

## Demonstration of the Proposals

	Current AG 49-A		Group of 6 Proposal		Securian Proposal		Coalition Proposal	
	BIA	Non-BIA	BIA	Non-BIA	BIA	Non-BIA	BIA	Non-BIA
<b>Indexed Account</b>								
<b>Hedge Budget</b>	5.00%	3.75%	5.00%	4.28%	5.00%	4.28%	5.00%	4.28%
<b>Lookback Rate</b>	6.20%	7.00%	6.20%	7.98%	6.20%	7.98%		
<b>Lookback Option Profit</b>	24%	87%	24%	87%	24%	87%		
<b>Max Option Profit</b>	<b>45%</b>	<b>None</b>	<b>45%</b>	<b>45%</b>	<b>45%</b>	<b>24%</b>	<b>0%</b>	<b>0%</b>
<b>Max Illustrated Rate</b>	6.20%	6.20%	6.20%	6.20%	6.20%	5.31%	5.00%	4.28%
<b>Fixed Interest Bonus</b>	0%	1.25%	0%	0.72%	0%	0.72%	0%	0.72%
<b>Total Illustrated Rate</b>	<b>6.20%</b>	<b>7.45%</b>	<b>6.20%</b>	<b>6.92%</b>	<b>6.20%</b>	<b>6.03%</b>	<b>5.00%</b>	<b>5.00%</b>
	<i>AG 49-A does not apply a limit to illustrated option profits for non-BIA accounts, allowing for huge discrepancies in illustrated performance between accounts</i>		<i>The Group of 6 Proposal applies a 45% illustrated option profit limit to all accounts, allowing for large discrepancies in illustrated performance between accounts</i>		<i>The Securian Proposal applies the BIA illustrated option profit to non-BIA accounts, which likely eliminates discrepancies in illustrated performance between accounts</i>		<i>The Coalition Proposal does not apply any option profits to indexed accounts, which eliminates discrepancies in illustrated performance between accounts</i>	